RHB Bank (RHBBANK MK)

Earnings Reslience As NIM Rebounds

BUY (Maintained)	
Share Price	RM8.40
Target Price	RM9.10
Upside	+10.9%
Previous TP	RM8.34

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Highlights

- 4Q25 earnings were above our forecasts but in line with consensus', with 2025 earnings representing 106/101% of our/consensus full-year estimates.
- Quarterly earnings were flattish, negative jaws was offset by NIM expansion and lower credit costs.
- Maintain BUY but with a higher target price of RM9.10 (from RM8.34) (1.11x 2027F P/B, 10.3% ROE). Valuations remain attractive at 1.0x P/B - below the sector average of 1.10x - supported by a comparable ROE of 10.3% and a compelling dividend yield of 6.4-7.0%.

4Q25 Results

Year to 31 Dec (RMm)	4Q25 (RMm)	4Q24 (RMm)	yoy % chg	2025 (RMm)	yoy % chg
Net Interest Income	992.2	957.2	3.7	3,880.2	0.3
Islamic Banking	575.1	855.6	(32.8)	2,159.3	(0.8)
Fees & Commissions	292.4	239.3	22.2	990.5	1.5
Net Trading Income	155.8	270.4	(42.4)	608.4	(22.6)
Other Operating Income	317.2	(111.9)	(383.4)	1,135.9	42.4
Total Income	2,332.6	2,210.6	5.5	8,774.3	2.0
Operating Expenses	(1,129.6)	(1,078.6)	4.7	(4,153.9)	3.3
PPOP	1,203.0	1,132.1	6.3	4,620.4	0.8
Provision on loans	(11.8)	(73.8)	(84.0)	(214.2)	(60.0)
PBT	1,191.2	1,056.5	12.8	4,406.1	8.9
Net Profit	905.7	834.5	8.5	3,363.2	7.8
EPS (sen)	22.6	20.8	8.5	83.9	7.8
DPS (sen)	35.0	28.0	25.0	50.0	16.3
BVPS (RM)	7.83	7.45	5.0	7.83	5.0
Financial Ratios (%)	4Q25 %	4Q24 %	yoy +/- ppt	3Q25 %	qoq +/- ppt
NIM	1.82	1.86	(0.04)	1.77	0.05
Loan Growth, yoy	2.2	4.5	(2.3)	1.6	0.5
Deposit Growth, yoy	(0.5)	4.7	(5.2)	1.1	(1.6)
Loan/Deposit Ratio	98.2	94.2	4.0	95.6	2.6
Cost/Income Ratio	48.4	48.8	(0.4)	46.4	2.1
ROE	10.7	10.4	0.3	10.8	(0.1)
NPL Ratio	1.4	1.5	(0.1)	1.5	(0.1)
Credit Costs (bp)	1.9	3.1	(1.2)	1.2	0.7
Loan Loss Cov	76.6	78.6	(2.0)	76.3	0.2
CET-1 CAR	15.2	16.4	(1.2)	15.2	0.0

Source: RHB Bank, UOB Kay Hian

Analysis

- **In line.** RHB Bank (RHB) reported a net profit of RM905.7m in 4Q25 (+8.5% yoy, flattish qoq) bringing 2025 earnings to RM3,363.2m (+7.8% yoy). 2025 earnings were above our forecasts but within consensus expectations, with full-year earnings representing 106% and 101% of our/consensus full-year estimates respectively. Earnings outperformance was supported by a combination of marginally firmer NIM and non-interest income (NOII), coupled with better cost discipline.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net interest income	3,869	3,880	4,287	4,577	4,874
Non-interest income	2,560	2,735	2,865	2,951	3,010
Net profit (rep./act.)	3,120	3,365	3,543	3,702	3,860
Net profit (adj.)	3,120	3,365	3,543	3,702	3,860
EPS (sen)	71.4	77.0	81.0	84.7	88.3
PE (x)	11.5	10.7	10.1	9.7	9.3
P/B (x)	1.1	1.0	1.0	1.0	1.0
Dividend yield (%)	5.2	4.3	5.9	6.2	6.5
Net int margin (%)	1.82	1.74	1.80	1.79	1.78
Cost/income (%)	46.7	47.3	46.9	47.0	47.0
Loan loss cover (%)	78.6	76.6	82.6	87.8	92.6
Consensus net profit	-	-	3,420	3,628	3,811
UOBKH/Consensus (x)	-	-	1.04	1.02	1.01

Source: RHB Bank, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Financials
Bloomberg ticker	RHBBANK MK
Shares issued (m)	4,362
Market cap (RMm)	36,640
Market cap (US$m)	9,410
3-mth avg daily t'over (US$m)	8.0

Price Performance (%)

52-week high/low				RM8.45/RM6.13
1mth	3mth	6mth	1yr	YTD
3.1	20.2	27.3	8.4	21.6

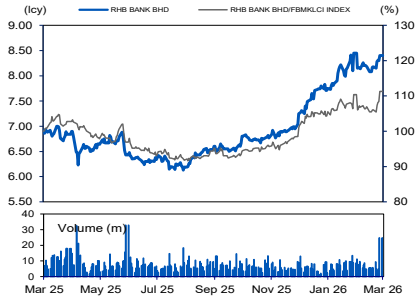
Major Shareholders

	%
EPF	39.0
OSK Holdings	10.3

Balance Sheet Metrics

	%
FY26F NAV/Share (RM)	8.03
FY26F CAR Tier -1 (%)	17.9

Price Chart



Source: Bloomberg

Company Description

Fifth largest fully integrated financial services groups in Malaysia by total assets size. Provides universal banking services to customers.

- **Qoq trend.** 4Q25 earnings were flat qoq (+0.2%), as stronger NOII (+9.1%) and a 5bp NIM expansion were offset by higher operating expenses (+8.8%), resulting in negative jaws. A sharp decline in credit cost (-13bps) kept earnings broadly stable.
- **Yoy trend.** 4Q25 earnings increased 8.5% yoy. Revenue rose 5.5% yoy, supported by growth in NII (+4.3%) despite a 2bp NIM compression and NOII (+7.8%). PPOP grew following positive jaws. However, lower credit costs (-9bp yoy to 2bp) lifted earnings.
- **NIM stabilised with a late-quarter recovery.** 4Q25 group NIM rose 5bp qoq to 1.82%, bringing 2025 NIM to 1.80% (2024: 1.86%), reflecting the impact of deposit repricing catching up with earlier loan yield compression following the 25bp OPR cut in Jul 25 and a favourable CASA mix of 30.4% (3Q25: 29.5%). Management guides a higher NIM (without liability management) of 1.83-1.96% in 2026, underpinned by sustained CASA momentum (CASA target: >30%) and continued funding cost optimisation. For 2026, we project a NIM of 1.86%, at the lower end range of management's guidance of 1.83-1.96%
- **Loans growth resilient.** 2025 gross loans expanded 5.4% yoy, within management's 5-6% target and ahead of industry growth of 4.8%. Momentum was broad-based, led by commercial (12% yoy), auto financing (+9.6% yoy), mortgages (+7.8% yoy) while corporate loans rose 6.7% yoy. For 2026, management guides a similar 5-6% loan growth target, anchored on the SME, commercial and retail segments. For 2026, we project a stable loan growth of 5.5%, at the mid-point of management's 5-6% guidance.
- **Outlook.** 2026 key guidance is as follows: a) loans growth of 5-6%, b) net credit cost of 13-14bp, c) ROE of 10.8-11.0%, d) GIL ratio of 1.35-1.40%, e) CIR of 46-47%, and d) NIM of 1.83-1.86% (or 1.91-1.94% including liability management).
- **GIL ratio improved.** In 4Q25, the group's GIL ratio declined 9bp qoq to 1.41% (3Q25: 1.50%), reflecting recoveries and lower impaired loan formation across portfolios. Gross impaired loans fell qoq, while Stage 2 ratio eased to 4.82% (3Q25: 4.91%). Provision buffers were reinforced, with LLC (inclusive of regulatory reserves) rising to 118.2% (3Q25: 115.8%), while standalone LLC (excluding regulatory reserves) stood at 76.6% (3Q25: 76.3%).
- **Net credit cost rose further on lower ECL and recoveries.** In 4Q25, credit costs moderated sharply to 2bp (3Q25: 15bp), reflecting significantly lower loans expected credit loss (ECL) and recoveries from a corporate account. For 2025, net credit cost improved to 13bp (2024: 22bp), surpassing management's 15-20bp guidance, supported by broad-based asset quality improvement and higher securities ECL write-backs. Management guides 2026 credit cost at 13-14bp, implying sustained benign credit conditions.

Valuation/Recommendation

- **Maintain BUY but with a higher target price of RM9.10** (from RM8.34) (1.11x 2027F P/B, 10.3% ROE) as we roll forward our valuation to 2027 to capture the sector's medium-term steady earnings growth and capital management runway. Despite the strong ytd share price performance, valuations remain attractive at 1.0x P/B - below the sector average of 1.10x - supported by a comparable ROE of 10.3% and a compelling dividend yield of 6.4-7.0%.

Earnings Revision/Risk

- We raise our 2026-27 earnings forecasts by 5.2%/3.3% respectively to account for our changes in NIM and CIR assumptions.

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.5	5.0	4.8
Credit Cost (bps)	13.0	13.0	13.0
ROE	10.1	10.3	10.5

Source: RHB Bank

Environmental, Social, Governance (Esg) Updates

Environmental

- **Green loan commitment.** RM3.3b extended as at Jun 21 of which 20% is for renewable energy projects. Targeting RM5b Green Financing Commitment by 2025
- **Zero new coal financing.** With effect from 2022, RHB will not be pursuing opportunities or provide financing for any new thermal coal mine projects and coal fired power plant projects.

Social

- **Board and upper management gender diversity.** Maintained 30% female directors on the Board and 26.1% for top and senior management as at Jun 21
- **Scholarship for underprivileged children.** > RM2m allocated for RHB X-Cel programme to assist B40 (underprivileged) students achieve academic excellence - benefitting more than 1,400 B40 students annually.

Governance

- **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 60 % as at 15 Mar 21, from 55% as at 16 Mar 20.

Source: RHB Bank, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	9,812	8,957	9,577	10,148
Interest expense	(5,931)	(4,670)	(5,000)	(5,273)
Net interest income	3,880	4,287	4,577	4,874
Fees & commissions	991	1,040	1,071	1,093
Other income	608	633	652	665
Non-interest income	1,136	1,193	1,228	1,253
Income from islamic banking	2,159	2,224	2,291	2,360
Total income	8,774	9,376	9,819	10,244
Staff costs	(2,466)	(2,664)	(2,837)	(2,993)
Other operating expense	(1,688)	(1,732)	(1,777)	(1,823)
Pre-provision profit	4,620	4,981	5,206	5,428
Loan loss provision	(214)	(344)	(361)	(378)
Other provisions	0	0	0	0
Associated companies	(28)	(28)	(28)	(28)
Other non-operating income	0	0	0	0
Pre-tax profit	4,378	4,610	4,816	5,022
Tax	(1,010)	(1,063)	(1,111)	(1,158)
Minorities	(4)	(4)	(4)	(4)
Net profit	3,365	3,543	3,702	3,860
Net profit (adj.)	3,365	3,543	3,702	3,860

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Cash with central bank	2,286	1,817	1,938	2,059
Govt treasury bills & securities	89,698	97,548	106,092	115,395
Interbank loans	549	604	664	731
Customer loans	247,910	261,349	274,204	287,139
Investment securities	0	0	0	0
Derivative receivables	2,453	2,344	2,235	2,127
Associates & JVs	65	65	65	65
Fixed assets (incl. prop.)	1,101	1,117	1,134	1,153
Other assets	14,042	14,769	15,602	16,583
Total assets	358,104	379,613	401,935	425,251
Interbank deposits	31,018	33,499	36,179	39,074
Customer deposits	252,537	267,689	283,751	300,776
Derivative payables	283	295	306	319
Debt equivalents	7,020	7,020	7,020	7,020
Other liabilities	33,056	35,877	38,487	40,885
Total liabilities	323,914	344,380	365,744	388,073
Shareholders' funds	34,146	35,185	36,139	37,121
Minority interest - accumulated	44	48	53	57
Total equity & liabilities	358,104	379,613	401,935	425,251

Operating Ratios

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	15.2	17.9	17.5	17.1
Total CAR	17.6	20.3	19.7	19.2
Total assets/equity (x)	10.5	10.8	11.1	11.5
Tangible assets/tangible common equity (x)	11.6	11.9	12.2	12.5
Asset Quality				
NPL ratio	1.4	1.4	1.4	1.4
Loan loss coverage	76.6	82.6	87.8	92.6
Loan loss reserve/gross loans	1.1	1.2	1.2	1.3
Increase in NPLs	1.5	4.5	5.3	5.7
Credit cost (bp)	8.5	13.0	13.0	13.0
Liquidity				
Loan/deposit ratio	98.2	97.6	96.6	95.5
Liquid assets/short-term liabilities	32.6	33.2	33.9	34.7
Liquid assets/total assets	25.8	26.3	27.0	27.8

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	0.3	10.5	10.5	10.5
Fees & commissions, yoy chg	1.5	5.0	5.0	5.0
Pre-provision profit, yoy chg	0.8	7.8	7.8	7.8
Net profit, yoy chg	7.8	5.3	5.3	5.3
Net profit (adj.), yoy chg	7.8	5.3	4.5	4.3
Customer loans, yoy chg	5.5	5.4	5.4	5.4
Customer deposits, yoy chg	1.2	6.0	6.0	6.0
Profitability				
Net interest margin	1.74	1.80	1.79	1.78
Cost/income ratio	47.3	46.9	47.0	47.0
Adjusted ROA	1.1	1.0	1.0	1.0
Reported ROE	9.9	10.1	10.2	10.4
Adjusted ROE	9.9	10.1	10.2	10.4
Valuation				
P/BV (x)	1.0	1.0	1.0	1.0
P/NTA (x)	1.2	1.1	1.1	1.1
Adjusted P/E (x)	10.7	10.1	9.7	9.3
Dividend Yield	4.3	5.9	6.2	6.5
Payout ratio	45.5	60.0	60.0	60.0

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